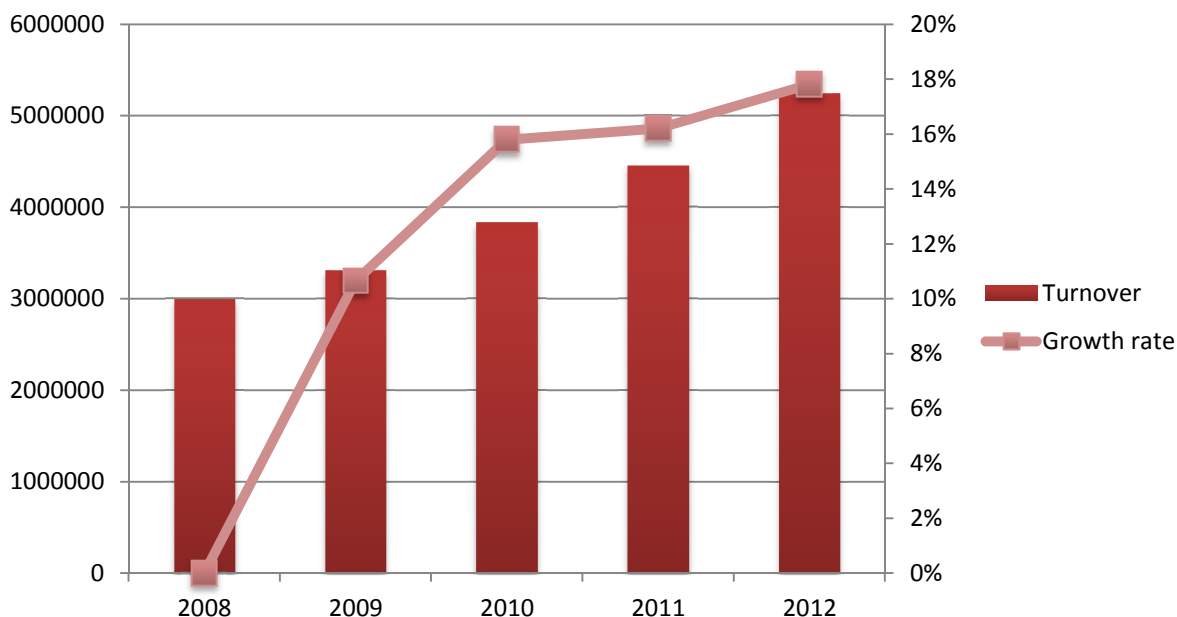




AMBER JEWELLERY MARKET IN CHINA - SUMMARY

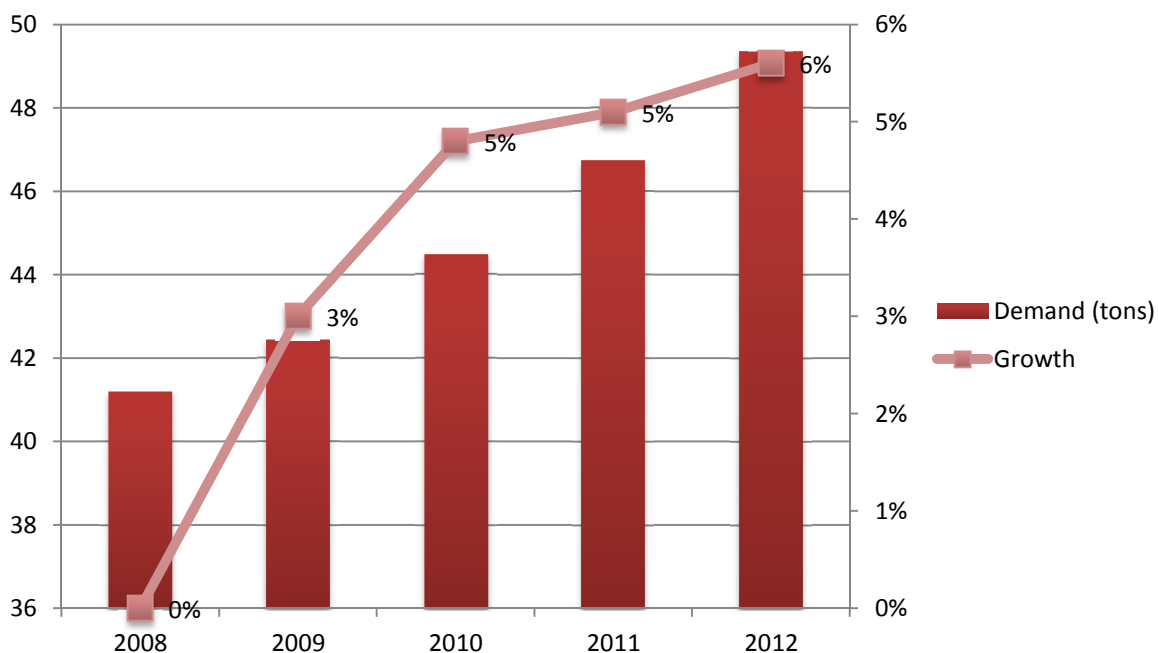
1.1. The current state of the amber jewellery in China

There is a sustainable and relatively rapid growth on the amber jewellery market. According to the statistics the branch increases by about 14.5% annually. In 2012 the turnover reached over 5 billion CNY.



At the same time one can see growing demand for amber and amber products (by 4.7% per annum). Back in 2008 the Chinese market's demand for amber was estimated at the level of 41.2 tons while in 2012 this value reached 49.12 tons.

It is worth noting that the market is characteristic for a low degree of saturation and most probably it is going to be a long term trend due to growing difficulties with finding the raw material for processing. On the other hand, China is importing increasing amounts of articles processed abroad. It is quite common that Chinese producers order amber jewellery in countries like Poland or Lithuania and sell it under their own brands.



The biggest recipient of amber jewellery in quantitative terms is the north-western China(inner Mongolia and Tibet) and the eastern coast region- mainly the biggest cities like Shanghai or Beijing. It should be noted that these areas differ substantially in the character of purchased jewellery. **The western provinces and autonomic areas recognise amber as strongly connected with culture and religion while the eastern provinces, although presenting the above feature, concentrate their demand more on luxury amber jewellery.** Little purchasing power in central China results in smaller demand for jewellery but it is worth noting that in the next years to come we can expect more interest in these goods in the cities that are ranked lower than those mentioned above.

There is a growing consumption society in China, which will probably result in gradual increase in demand for luxury articles. With the systematic enrichment of the Chinese, their interest in luxury articles is also growing.

The biggest part of the market belongs to domestic production and commercial companies that sell products tailored to Chinese cultural demands. On the other hand, more and more market shares are held by big brands (TashiDelek, Wink or Polish S&A. Their increasing role is connected with:

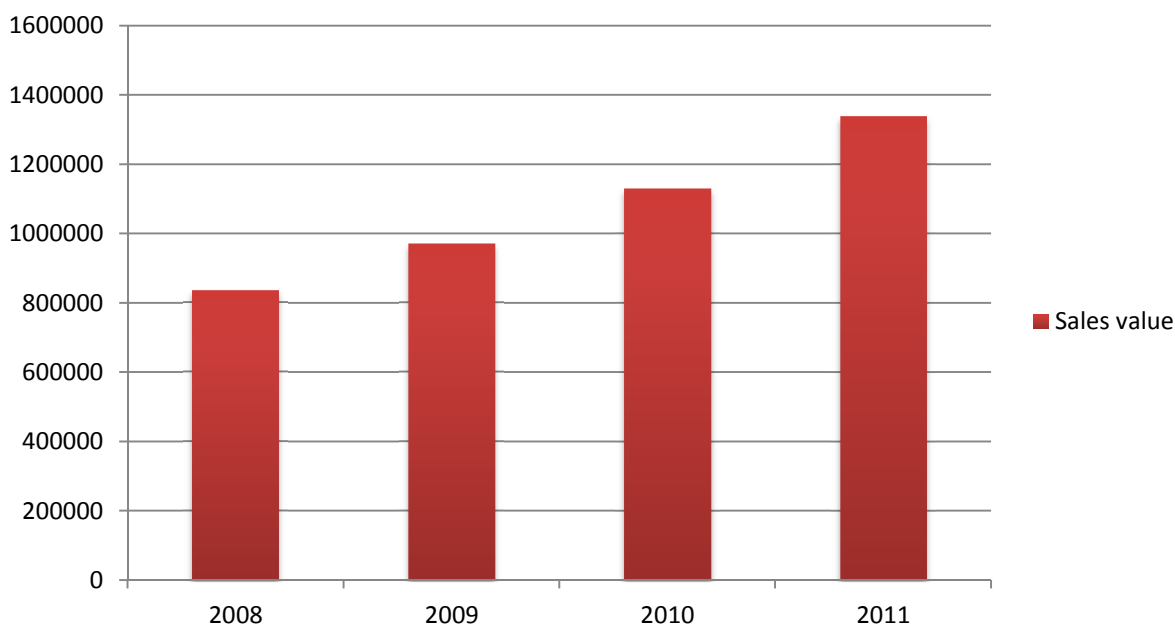
- more effective information and marketing strategy,



- more effective distribution channels (shopping malls, chain shops in the main shopping streets in big cities),
- bigger expenditures on marketing and commercials.

The turnover of companies of the amber sector is rapidly growing. Although in 2008 it was as much as 843 million CNY, in 2011 the value grew by 60%- up to 1.3 billion CNY. The main reasons of that situation are:

- using more and more modern methods for production of amber goods
- specific promotion of amber to the category of exclusive and difficult to obtain goods
- Increasing the role of jewellery in the whole amber sector; jewellery is the product characteristic for the highest index of added value among all amber products.



It is good to keep in mind that medium companies present the highest dynamics of growth. the middle sized companies show the biggest increase in income- 18% on average. In small firms the growth rate was slightly slower- 16% annually.

What is more, the branch is dominated by the private capital. the biggest annual growth (17% annually) was recorded for public limited companies. It seems though that for the last few years the Chinese government has been getting



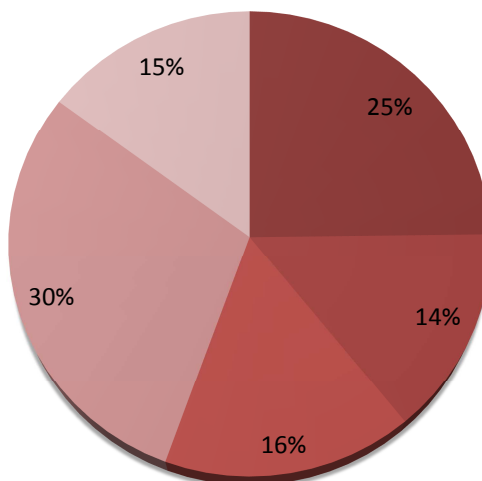
increasingly involved in the amber sector- especially in the area of setting relationships with excavators from the Kaliningrad District.

The importance of jewellery in the amber market is growing distinctly due to shifting the Chinese tastes from tradition towards the importance of status and cosmopolitanism (jewellery expresses a kind of individualism and opening) In connection with the above, amber is being processed mainly in the areas of Guangdong, Liaoning, Zhejiang, Jiangsu and Beijing- primarily because of high consumption potential of these regions.

1.1.1. Product structure analysis

For the last few years amber jewellery alone (with different kinds of traditional products such as religious pendants, rings etc. included) has become a major part of the amber market. Decorations are still 21% of the market, although it is decreasing in importance. Amber is processed in almost all provinces and autonomic regions. Yet it is worth noting that the structure of production is characterised by a high level of concentration within Guangdong, Liaoning, Zhejiang, Jiangsu and Beijing.

■ East ■ North ■ Northeast ■ South and southeast ■ Other



1.1.2. Import of amber to China

China imports from 40 to 45 tons of amber annually. The biggest amber exporter to China is Russia, although there are substantive amounts from Mexico,

NBNP Paweł Chmielowski

Purchase is financed by EU funds, the ERDF, under Sub-measure 6.2.1, OPIE Support for networks of service for investors and exporters.



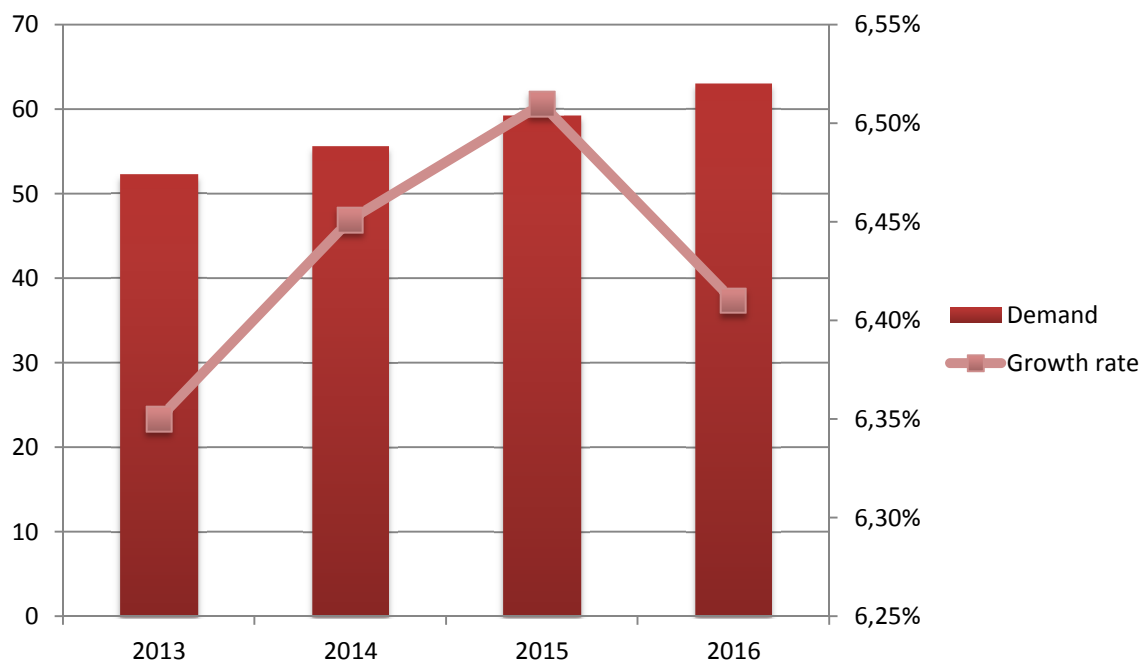
Brazil or Myanmar (It is worth noting that Baltic amber is definitely the highest valued material). Certain amounts of amber are also exported by Poland and Lithuania. As regards amber jewellery, the full estimation of its import is difficult although it shall be deemed that its import may be worth about 700 million CNY. Poland and Lithuania are among the biggest suppliers. One should note that big amounts of fake amber (copal and others) and jewellery from these materials are being imported from Brazil.

1.1.1. The most important companies

Among the biggest brands that are present on the Chinese market of amber jewellery are: S&A, Gear Band Gore, TashiDelek, WINK, Carol, TsuiTsui, Casia, SHN, Shiqing Ling, ZhileXuan, Zhen Bao Heritage, Life of a Stone oraz Fanshi. Report contains also the most important financial indexes for major Chinese companies in amber industry: Beijing Jia Lerun Fung Ltd., Amber Jewelry Co, Ltd. Shenzhen Heng, Haotian Amber Jewelry Co, Ltd., Shenzhen Jing Qi Jewelry Ltd., Shenzhen Ill the margin of jewellery Ltd., Beijing Chang Tai Hong Trading Co, Ltd., Beijing Chang Tai Hong Trading Co, Ltd., Shenzhen Qi Rui Jewellery, Ltd., Xin Friends, Jewellery, Ltd. in the city of Dongguan, Beijing Business Center of the Shippo, Vatican Gemstone and Jewellery, Ltd. z Shenzhen.

1.1. Market forecast

In the nearest years to come, there is a forecast of continuous economic growth, which will most probably result in increased consumption on the market of jewellery. Within the next three years the demand on the market will be increasing by 6.4% per annum which consequently will give growth of the market value at the same rate as in the years 2007- 2012. There is also a forecast of more or less stable, 2 or 3 per cent growth of demand on the market for the nearest 7 years. Amber will be shifting towards high-end products due to its shrinking deposits which can be also seen in a form of big increase in companies turnover (about 7- 9 per cent annually).). It seems that the amber jewellery market will have a very stable consumer group in spite of frequently appearing fake products. This is due to increasing awareness of amber and bigger knowledge needed to judge authenticity of the product. Within the next three years the branch can grow by 13% per annum.



The analysis has shown that due to the fact that the market is relatively young, the following phenomena can be expected in the following years:

- Optimization of the product structure and diversification of the offer,
- Improved quality of the technological base for production,
- Big changes in trends, most probably oscillating between tradition, western designs and Chinese contemporary art,
- Increase of prices for Baltic amber,
- Growing importance of quality/price ratio (especially in the context of high-end products),
- Growing importance of on-line sales,
- Growing importance of obtaining information about the customer- development of Big Data and Business Intelligence systems.

Among many **factors influencing market development**, the **most important** mentioned ones are: the size of middle class, cultural changes, the price of amber, prices of other jewellery products, growing importance of artificial and fashion jewellery, increasing awareness of the value of amber, establishing commercial contacts between Russia and China in the matter of amber excavation.



1.2. Customers

There are few **phenomena** mentioned below will therefore have **strong influence on the sector of amber jewellery**:

- Relatively high level of market saturation,
- High price-flexibility of demand,
 - contrary to expensive metals and precious stones, amber is more frequently purchased by lower middle class- whereas this group is constantly growing in China,
 - at the turn of 2009 and 2011 there was a boom in the products made of amber. One could also forecast a decline occurring in the following years.
- Increasing role of the middle-class and relatively stable market of luxury goods.

The main **tendencies in the area of market segmentation** are listed below:

- Growing demand in the men's jewellery sector,
- Good perspectives for children's jewellery market,
- Necklaces have attracted the biggest of the Chinese consumer. Then there were rings with ear-rings taking the third place,
- Possible good conditions for entering the jewellery segment for elderly people.

The **most important factor decisive for the Chinese consumer in purchasing amber jewellery** is the quality. It is worth noting that when the distributor is Chinese, the commercial relationships become the most important factor. End-consumers demand primarily high quality for low price- especially in the low-end sector. Such factors as innovativeness of design have little importance for consumers but they also play important role in the purchase deciding process.

There are three main segments of the amber jewellery market in China:

- **upper middle class** with big income, relatively older, buying jewellery mainly to please themselves of somebody else, quite open and having considerable brand awareness,



- **individualistic middle class** which is slightly younger and has big although slightly lower income, more self-focused, representing the “new generation” of the Chinese
- **religious middle class and less wealthy people-** who have the smallest income and buy jewellery mainly to give somebody a present. In most cases those people are concentrated on religiousness and are more attached to tradition. The main products addressed to this target group are amulets of different kinds and raw stones. They are to a bigger extend interested in low-end products.

1.3. Market issues

Contrary to the common belief, **the Chinese jewellery market** in general(including gold, silver and gemstone jewellery) **is quite well saturated**. The interest Chinese “special stone”- jadeite is also decreasing (mainly because of the fact of exhaustion of its deposits). Yet it is worth noting that the amber jewellery market (including jewellery with pearls and elsewhere unclassified stones and minerals) together with jewellery from base and precious metal alloys (mainly fashion jewellery) are characteristic for low level of saturation. The market also presents **rather high price flexibility of demand** - the increase of material prices causes the decrease in demand. At the same moment, the profits of companies in this sector are not falling, due to shifting the products to higher segments of the market. Both tendencies suggest that the amber jewellery market will be growing.- currently, as the effect of bigger number of people in the lower middle class (main consumers of amber jewellery), and in the future, due to enrichment of the middle class and its growing interest in high-end products. At the same time it is worth noting that the luxury goods market itself is characteristic for its high stability.

The Chinese market presents **quite high (and increasing) brand awareness** and very strong **attachment to quality**. The brand image- especially connected with high social status and exclusiveness- will have decisive meaning for the sector of luxury goods. At the same moment it becomes clear that the market becomes more closed for minor brands. In case of amber jewellery this process is not as advanced as in other sectors but it should be kept in mind. It should be noted that although brand awareness and knowledge of amber are not big in this sector, it will be growing



in future. It has to be added that Polish amber products are the most valued by the Chinese.

It is noticeable that **Hong Kong is very important for the jewellery market** as a whole- the jewellery from this region seems to determine trends for all continental China. The analysis of other research in the subject of amber jewellery shows that there is much **less effectiveness of traditional channels of commercial communication**- it is believed that the most effective of all methods is the whisper marketing. There are also activities in the area of social media that seem to be promising in the future. The Chinese amber trade focuses only on big cities (mainly first rank cities like Shenzhen, Shanghai, Beijing, Guangzhou)

One of the main phenomena of the market is the **progressive individualisation of the jewellery market** and **higher demand for made-to-order jewellery**. There is lack of visible tendencies in Chinese design although there are some tendencies to discover, that refer to different target groups. However, one might recognize some general trends in design: the interest in big, bulgy designs, minimalism, European connotations, interest in genuine amber, paying attention to historical aspect of amber (unique character of the product), interest in jewellery adapted to Chinese culture. The middle class as the main consumer of amber jewellery, still attaches attention to simple, often minimalistic shapes and product naturalness.

It is worth noting that it has been mentioned that **Chinese market is different from other markets**. This is due to:

- different recognition of an individual a separate being,
- growing tension between the culture of the new generation and people strongly rooted in Confucian tradition(which may cause the impression of some chaos),
- increasing importance of consequences of “One Child Policy” (progressive consumerism and individualism),
- different understanding of wearing jewellery,
- lack of the habit of wearing amber as jewellery in China (in former times it had religious meaning as a kind of amulet)



- importance of Chinese tradition in design, which is still considerable (seasonal popularity of Chinese signs of Zodiac)

In China, amber has **certain cultural meaning** as the one of the “**seven treasures of Buddhism**”. Apart from jadeite it is one of the most important stones for Chinese culture, which creates the risk of being hard to adapt in jewellery, where its main feature is decorativeness. Amber is primarily associated with optimism, fortune but also with modesty and effectiveness. In this context it is obvious that amber jewellery is addressed mainly to the young generation of Chinese, that rejects or redefines the collectivistic tradition of the country and does not approve of collectivistic attitudes. The analysis also shows that combining amber with metals in jewellery might be in contradiction with the culture. For instance, when amber alone is a traditional stone expressing modesty of its owner, amber jewellery is strongly connected with consumer life style, contemporary life or emphasising the status. Therefore, amber jewellery- especially with European design is of niche importance. Due to that the amber jewellery market is **concentrated in the cities of international importance.**

The main cultural conditions of consumer behaviours are listed below:

- Other understanding of the unit as a separate being,
- A growing number of people who grew up after the introduction of the "One Child Policy",
- The lack of tradition of wearing jewellery,
- Gifts constitute a large market share,
- The great importance of Chinese tradition in design addressed to the typical Chinese recipient.

Fake amber can be a threat to the market of genuine amber jewellery. It should be noted that fakes will be important only for some sectors of the market(probably they will not do harm to high-end jewellery with Baltic amber). Fake amber jewellery may be of importance in case of such target group as female students or less wealthy people. Just at present, these groups show increasing interest in cheap “fashion jewellery”. It is worth noting that fakes include not only jewellery with glass, celluloid, casein, polyesters etc. but also with other (usually younger) fossil resins. Of



particular importance for the jewellery market shall be the authenticity of the product in the next few years. **Strong emphasis of authenticity of the raw materials in the marketing strategy is suggested** – not only through advertising or PR, but also through sealing sales (e.g. sales only in specialized stores, corporate are better, use of certification that is clear to the consumer). It is estimated that **the main reason for the saturation of the amber market** (e.g. in Hong Kong) is not so much the weakening trend, or interest in the stone, but just the **threat of counterfeiting**.

In the nearest time China will have about 20% share of the whole market of luxury goods. There was a visible wealth increase in almost all consumer categories. Wealthy consumers (with annual income of over 300 000 CNY) were growing richer together with some parts of the middle class (earning between 100 and 200 thousand CNY a year). At the same time, the upper parts of the middle class grew in size, presenting bigger demand for luxury goods. Just this group, according to numerous research on luxury goods market is the most promising long term sector. Hong Kong is still the most popular city to go shopping for luxury goods. Among the biggest luxury goods brands are those carrying direct message of their customer's wealth: Louis Vuitton, Gucci, Cartier. Thus **there is special demand for the product with strongly marked brand**. It should be also noted though that the trend will be reversed, mainly by the growing generation of individualists who are not convinced to the consumption life style. For this group, brands such as Louis Vuitton are natural and obvious and don't convey the message of social status.

There are domestic brands in China, making luxury goods, but their market position is relatively weaker than those in western world. Even in China itself, domestic brands are not such recognizable as the western ones. The popularity of Chinese luxury goods brands is rather limited to those companies who are rooted in Chinese tradition and history. The most important deciding factors in purchasing luxury goods is the reputation of the brand and the quality of the product. At the same time it is indicated that "unique design" is becoming less important for the wider group of consumers. Chinese declare also little importance of the brand's tradition and history.



Reports on Chinese market mention several important factors that must be taken into consideration when building the marketing strategy. The foreign companies focus primarily on:

- Building a loyal community of consumers,
- High quality and special products,
- Breaking cultural barriers by introducing European symbols into the Chinese cultural code,
- Breaking cultural barriers by emphasizing the product's universality,
- Building proximity of experience.

The analyses of marketing strategies show that the key factors deciding about the success on the market are:

- Strong image of the brand before launching the sales of the product,
- Developed system of customer relationship management (CRM) and advanced business analysis,
- Understanding Chinese customer's peculiarity,
- Creating strong and vast retailing network.

1.4. Important branch events

The most important branch events are listed below:

- Shenzhen International Jewellery Fair
- Shanghai World Jewellery Expo
- The 26th Jinhan Fair for Home & Gifts
- Top Marques Shanghai
- Treasures Hangzhou
- China International Gold Jewellery & Gem Fair-Shanghai
- Shenyang China Jewelry Fair
- Nanjing Jewelry Expo
- China International Gold Jewellery & Gem Fair- Shenzhen
- Expo Life style for Luxury and Excellence
- China (Changsha) Mineral & Gem Show

For more specific information please look the full report.



1.5. Legislation governing the sale of jewelry

Since May 2003, the mainland China has abolished the licensing system for running businesses in gold and silver products. As a result, the production, processing, wholesale and retail of jewellery are under total market management. On 19 August 2006, the National Development and Reform Commission published three sets of industry standards: Precious Metal Adornment QB/T2062-2006, Terms of Precious Metal Adornment QB/T1689-2006 and Jewellery -- Measurement of Gold and Silver Coating Thickness: X-ray Fluorescence Spectrometric Methods QB/T1135-2006. These three are revised standards for replacing QB/T2062-1994, QB/T1689-1993 and QB/T1135-1991 respectively. The effective date of the first two was 1 December 2006. For the last one, it was 1 September 2006. Also The national standard Jade Grading drawn up by the National Gems & Jewellery Technology Administrative Centre of the Ministry of Land and Resources has been effective since 1 March 2010. This standard provides clear definitions and classifications of ground and polished natural jade, both inlaid and un-inlaid. The national standard GB/T 25071-2010 Classification and Codes for Products of Gems and Precious Metals was issued for implementation on 1 December 2010. As an important basic standard in the computerisation of China's jewellery industry, it provides the bases for the management, transmission, retrieval and dissemination of data on information concerning products of gems and precious metals.

The importers are bound to pay the VAT tax that is calculated from the goods-after-customs value. The exemption from customs charges and VAT refer to the imports of components, materials, spare parts, and packaging that would be used exported goods within 1 year from the date import of the above or the tax can be refunded when the goods are exported. The base VAT rate in China is 17%. Minor enterprises with turnover value below 1 million CNY in production or services and 1.5 million CNY undergo 4% or 6% VAT rate depending on the kind of activity.

Amber jewellery is mostly interpreted as gold or silver jewellery. The table of customs rates in the People's Republic of China provides information on taxes for imported jewellery including amber goods.



- Gold and silver jewellery incusted with other precious metals undergo 20% customs charge for the Favoured countries(130% for other countries) and there is 17% Vat tax for that.
- Platinum jewellery- 35% rate for MFN and 130% general rate. The Vat tax is 17%
- Goods with natural pearls and cultured pearls, precious and semiprecious stones have 35% customs rate for MFN while the general rate is 130%. VAT is 17%.
- Cuff-links and pins- the customs rate is 35% for MFN, the general rate is 130%, VAT is 17%

On the other hand, amber, defined as other mineral substances can be treated as medical mineral substance, for instance as substrate for tinctures etc.. The customs rate is then 3% for MFN(30% for others) and the VAT tax is 17%.Amber also appears as sculpturing material with 25% customs rate for MFN(the general rate is 100%) and charged with 17% VAT. The amber products(or products containing amber) can be included to works of art, collector's items and antiques. In case of contemporary sculptures and sculpture products the rate for MFN is 12%, the general rate is 50% and VAT is 17% as in case of collections or their elements- like collections of minerals.

Hong Kong is a tax free territory, thus there are no customs charges imposed on imported and exported goods. Hong Kong does not have VAT tax but three indirect taxes: the enterprise income tax (max. 16.5%), remuneration tax (max. 15%) and real estate tax (15%). In case of Taiwan, The VAT tax on imported goods is 5% and it is calculated practically for all products. The customs rate for imported jewellery is 0%.

The main regulations related to the topic of jewellery market and/or gold/silver trade can be found in the report.



REGIONAL ISSUES

1.6. The most important distribution channels in territorial aspect

In China there is a number of goods distribution channels which have been listed below:

- Producer - Wholesaler – Retailer – Customer This is a traditional model of distribution;
- Producer – The Goods Exchange / Fairs – Commercial company (wholesaler/retailer) – Customer
- Producer - Commercial company (wholesaler/retailer) – Customer
- Producer – Wholesale market – Commercial company (wholesaler/retailer) – Customer
- Seller – Agent – Retailer – Customer. This model is the most popular with the jewellery branch.
- Producer – Distribution centre – Retailer – Customer;
- Producer – Customer. The last model describes so called direct sales; As a rule it does not assume any dealing activity between the producer of goods and the end recipient. The producer sells the goods directly to the customer using modern forms/system of Television markets or postal ordering
- E-commerce. Electronic transactions are made in the B2B, B2C and C2C formulas. From these, especially B2B on-line model is growing successfully and rapidly.

On the Chinese market of amber jewellery, the agent sales is the most popular- and it makes 69% of the whole sales of jewellery. On the other hand it is worth noting that both direct and on-line sales gradually increase their share of the market.

Among the most effective distribution channels, usually one is mentioned as the main one: Producer-Agent-Retailer-Customer. On the other hand there is a forecast that direct sales will present a growing trend – from the producer to the customer through specialised retailing network. Also the on-line sales become more



important. It is worth adding that direct sales will increase its importance mainly in big cities, although big brands will probably present to smaller ones.

The differences existing in social and economic development of China make the firms intending to offer their goods on the market concentrate their activity on the three main areas of the country: Pearl River Delta Megacity, Yangtze River Delta Megalopolis and Bohai Economic Rim

- **Yangtze River Delta Megalopolis** – sales through specialized agents is still the most effective distribution channel there but the share of direct sales and e-commerce is visibly growing. Most probably, in the years to come, it will be direct sales to be of key importance for the branch development. The research carried out by HKTDC show that most frequent shopping for jewellery was done in shops at big department stores and in chain stores, mostly brand ones. In recent years, respondents claiming that they liked to purchase jewellery at chain specialty stores in shopping malls or large supermarkets were on the rise.
- **Beijing, Tianjin, Chongqing-** presents similar, although not the same, tendencies as Shanghai. Still the most popular distribution channel is indirect sales but also here one can see the growth of direct sales and e-commerce.
- **Capital cities of the provinces** – in majority of them (and other big cities) there are similar tendencies, but in the cities in Central China, like Chengdu, the jewellery sales is continued within the model where agents play the main role.

Worth noting is the increasing role of e-commerce in jewellery industry. Entrepreneurs in China, especially those in the area of trade have increasing awareness of the e-commerce potential. Considering the size of the market, the on-line trade is becoming an important channel of distribution not only for big enterprises, who in most cases have developed networks of shops, but first of all for smaller businesses. The on-line trade, primarily through shopping websites ensures the possibility of presenting the offer to the highest possible number of customers.

Links to the most important websites offering on-line sales of amber goods are listed in the “Most important links” section.



1.7. Case study: step into Shanghai market (an example of EU company)

The conclusions below are based on the experience of two brands existing on the Chinese market – New Collection Amber and S&A. Because the information concerning S&A is available to a greater extent, the case study will focus on this firm.

Launching a representative office is the simplest form of starting the enterprise on the PRC territory. Creating a representative office needs cooperation with so called “sponsor”. The permit is usually issued within 30 working days and expires after 3 years. Then one must register the representative within 30 days from receiving the permit. The registration office is The State Administration for Industry and Commerce (SAIC).

It is worth noting that majority of firms do not run their representative offices in China. Polish companies usually export amber to China to order if Chinese amber processing firms and for S&A. At present, S&A has been present on the Chinese market since 2004 and runs about 60 shops in the country, mainly in the franchising system.

Numerous contacts with the institutions in the business surroundings need support from the Department of Commerce and Investment Promotion in the biggest cities in order to identify possible business partners in China. It has been noted that carrying good field research and gaining good partners is the key decisive factor when entering the market. Finding a partner is one of the main objectives of the “field research”. It is a practical conclusion that a number of internet transactions end up as a failure. There are many unfair subjects in the Internet and the vindication of claims is rather ineffective. Apart from visiting fairs or participating in missions, there is a possibility of finding the right partner via professional associations.

There are several barriers to entry for the amber jewellery market:

- Little information on amber (weak information background)
- The market messages are often contradictory, the tendencies are variable,
- The market is very different (in cultural and legislation aspect),



- High taxing and incomprehensible regulations,
- Cultural and language barriers,
- Competition from Lithuanian companies.

Building a brand on the Shanghai market appears to be a long process that needs much involvement. It is estimated that small companies have little possibilities in achieving superiority in competition on the market and their main possibilities can be found in cooperation with Chinese distributors. The marketing strategy analysis of S&A and New Amber Collection on the Chinese market has shown that the most important strategies were:

- **The presence on the amber fairs and other events connected with jewellery branch in China-** in case of small firms it is especially helpful to establish cooperation with big distributors from China. It is actually the best area to build commercial contacts.
- **Passive vs. active search for customers-** in case of smaller firms, the search for customers appears to be a seemingly passive process. The presence on fairs and other events should result in interest from Chinese distributors. It is worth noting that in case of adopting another strategy of purchasing and using direct sales as a main distribution channel, the building of the brand must be done actively. As far as S&A is considered the main stress of the campaign was put on activities in the field of Public Relations and the campaigns using visual means were less important (billboards- usually small sized).
- **Passive brand building vs. active brand building** – In case of smaller firms like New Amber Collection, the brand is built rather through distributors. They are responsible for building the brand. It also happens that building the brand among consumers is useless. For instance, New Amber Collection makes jewellery for S&A and other Chinese firms, frequently without its own trade mark. On the other hand, S&A as a big brand existing in China has to promote itself actively. Their promotional activities are addressed primarily to the consumers.



- **Building the image for an exclusive product** – almost all S&A's strategy was based on building exclusiveness of the brand. Authenticity of the products (frequently certified) together with high quality are of special importance there.
- **The image based on quality** – quality is jointly claimed to be the most important factor in building the brand in China.

1.8. Recommendations

- It is necessary to take actions to increase knowledge of amber and its awareness. It should be noted that such activities like organizing meetings, conferences and exhibitions may be at the same time a good marketing strategy companies in amber industry and also an indispensable step towards up keeping the market of genuine amber jewellery
- It is a very good way to restrain the wave of fake amber flooding the market by imposing certificates and starting to monitor the firms dealing with amber sales (by certifying institutions and/or entrepreneurs' organisations)It is also suggested to Polish firms that they should implement procedures of sales policy, which would make a contractor respect certificates and restrain from doing business with fake amber traders.
- It is necessary to carry out continuous monitoring of the market- both through advanced CRM analysis or Big Data systems (for instance, monitoring auction portals or jewellery shops in terms of design, demand, or prices), as well as carrying out research (it is suggested to cooperate with Chinese market research experts). It should be noted that setting general trends in China is rather difficult due to multiple tastes and relatively diversified society.
- It is suggested to implement network sales or franchising due to the fact that they will be probably the most important distribution channels in China. Probably, direct sales will be of very big importance for the sector. One cannot ignore e-commerce branch: small firms can now offer their products on Chinese auction portals like taobao.com. Big companies are advised to do their sales on their own websites.
- It is advisable to establish contacts with Chinese designers in order to create tailored jewellery for the Chinese market. It seems that in the following years there may be special interest in goods that refer to Chinese contemporary art.



- Small jewellery brands should concentrate on traditional distribution channels. Entering the Chinese market without establishing the brand image may be quite problematic. It is also worth mentioning that the level of brand awareness in the sector of amber jewellery is rather low. On the other hand, actions towards entering the Chinese market should be taken immediately. Big brands like S&A begin to dominate there.
- Marketing strategies should be built on the basis of the product quality and Public Relations activities (sponsored articles, contacts with bloggers, participation in exhibitions, wide contacts with media and office clerks).
- It can be a chance for small brands to introduce made-to-order jewellery. The next niches on the market are products intended to be gifts(Shanghai, Beijing, Guangzhou and Shenzhen)- it is suggested to carry out market research towards this aspect of buying products in China. The next niche is products for children and men's jewellery (in this case it is also suggested to make analysis in a form of desk research and to establish contacts with agents of Chinese distributors).
- In the following years, the gradual decrease in the low-end category of amber jewellery can be expected. It is advisable that the companies using Baltic amber should focus on making high-end jewellery.

1.9. Most important links

On-line shops:

- www.tmall.com
- www.taobao.com
- www.jd.com
- www.dangdang.com
- www.artxun.com
- www.lanpowang.com
- www.lenvr.com
- www.tmall.com
- www.taobao.com
- www.jd.com
- www.dangdang.com



- www.artxun.com
- www.lanpowang.com
- www.lenvr.com

Business institutions:

- **Ministry of Culture**
 - Website: <http://www.ccnt.gov.cn/English/index.html>
- **Ministry of Commerce**
 - Website: <http://english.mofcom.gov.cn/>
- **Government Offices Administration of the State Council**
 - Website: www.ggj.gov.cn (no English page)
- **General Administration of Customs**
 - Website: <http://english.customs.gov.cn/publish/portal191/>
- **State Administration for Industry and Commerce**
 - Website: <http://www.saic.gov.cn/english/index.html>
- **General Administration for Quality Supervision, Inspection and Quarantine**
 - Website: <http://english.aqsiq.gov.cn/>
- **State Administration of Taxation**
 - Website: <http://202.108.90.130/n6669073/index.html>
- **State Intellectual Property Office**
 - Website: <http://english.sipo.gov.cn/>
- **National Copyright Administration**
 - Website: www.ncac.gov.cn
- **National Bureau of Statistics**
 - Website: <http://www.stats.gov.cn>
- **The Central People's Government**
 - Website: www.gov.cn
- **Hong Kong and Macau Affairs Office of the State Council**
 - Website: www.hmo.gov.cn
- **Development Research Center of the State Council**
 - Website: www.drc.gov.cn/english/
- **State Administration of Cultural Heritage**



- Website: <http://www.sach.gov.cn/>
- **State Administration of Foreign Experts Affairs**
 - Website: <http://www.safea.gov.cn/english/>
- **State Bureau of Surveying & Mapping**
 - Website: www.sbsm.gov.cn and (en) <http://en.sbsm.gov.cn/>
- **State Postal Bureau**
 - Website: www.chinapost.gov.cn
 - (en) www.chinapost.gov.cn/folder12/2008/10/2008-10-3117985.html
- **All-China Federation of Industry and Commerce**
 - Website: www.acfic.org.cn
- **China Council for the Promotion of International Trade (CCPIT)**
 - Website: www.ccpit.org
 - (en) <http://english.ccpit.org/>
- **China Nonferrous Metals Industry Association**
 - www.cmra.cn/en
- **China International Trust and Investment Corporation**
 - Website: www.citic.com
 - (en) <http://www.citic.com/wps/portal/encitic>
- **China North Industries Corp.**
 - Website: www.norinco.com.cn
 - (en) <http://www.norinco.com.cn/c1024/english/index.html>

Databases and China research centers:

- **All China Data Center**
 - <http://124.42.9.40/>
- **Hong Kong Trade Development Council**
 - <http://china-trade-research.hktdc.com>
- **IREsearch Consulting Group**
 - <http://www.iresearchchina.com>
- **China Internet Network Information Datacenter**
 - <http://www1.cnnic.cn>
- **China Market Research Center**
 - <http://www.cmir.com.cn/>



- **All China Marketing Research**

- <http://www.acmr.com.cn/>

Trade shows:

- <http://www.biztradeshows.com/>
- <http://www.chinaexhibition.com/>
- <http://tradeshowcalendar.globalsources.com/>

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